

## The Co-operative Way.

# Questions and Answers About Worker Co-operatives



Sugar and Snails Co-operative Press

## 1. WHAT IS A CO-OPERATIVE?

A co-operative is a formal, legally established association of individuals, usually of limited means, who have voluntarily joined together to achieve common economic ends through the formation of democratically owned and controlled business enterprises.

A co-operative has limited liability, perpetual succession, a common seal, and the power to enter into contracts, to institute and defend actions, suits and legal proceedings.

In Victoria, co-operatives are incorporated under the Co-operation Act of 1981.

## 2. WHAT IS CO-OPERATIVE PHILOSOPHY?

Co-operatives differ from other types of enterprises because of their basic belief in the ideals of

- democracy;
- mutual aid;
- autonomy.

Those three values are reflected in the internationally accepted co-operative principles which are written into the legislation to which co-operatives must comply. Those principles are:

- (i) Open and voluntary membership;
- (ii) Democratic control;
- (iii) Limited interest on shares;
- (iv) Return of surplus to members;
- (v) Co-operative education;
- (vi) Co-operation among co-operatives.

The principles are interpreted differently. Worker co-operatives do not necessarily agree, for instance, that surplus should be distributed to individual members. Worker co-operatives also differ on democratic organisation of co-operatives.

## 3. WHAT IS A WORKER CO-OPERATIVE?

A worker co-operative is a co-operative which is owned and controlled by the people working within it. The workers control their work and work places.

## 4. ARE WORKER CO-OPERATIVES DIFFERENT FROM OTHER CO-OPERATIVES?

Worker co-operatives share the same legal structure as other co-operatives — in that they are controlled by their membership. What distinguishes worker co-operatives from other types — food co-operatives, child care co-operatives, farming co-operatives, etc, are two main elements. Firstly an interest in providing employment for their worker members and secondly in ensuring that workers in the enterprise exercise democratic control. In other co-operatives, workers may be members but this is not always encouraged or even permitted.

## 5. ARE WORKER CO-OPERATIVES THE SAME AS OTHER BUSINESS ENTERPRISES?

Consistent with co-operative philosophy and principles, worker co-operatives have characteristics which distinguish them from other forms of business organisations.

	<i>Conventional Company</i>	<i>Worker Co-operative</i>
Objective	Profit as an end in itself	Profit (surplus) as a means to an end.
Membership	Individuals and/or institutions.	Workers.
Shareholding	Changing value of shares.	Constant value of shares.
	Unlimited interest on shares.	Limited or no interest on shares.
	No limit on shareholding.	A 20% limit or less on proportion of shares held by any one shareholder.
Ownership & Control	Ownership vested in capital.	Ownership vested in workers.
	Number of votes depending upon number of shares.	One vote per worker irrespective of number of shares.
	Shares can be publicly traded and sold	Shares cannot be publicly traded and sold.



## 6. HOW IS THE ROLE OF CAPITAL DIFFERENT?

The difference between a worker co-operative and a company centres on the function and treatment of capital. In a company, the owners of capital own and control the business — their wealth determines the number of shares and the control they have. A worker co-operative is owned equally by all members, irrespective of the size of their shareholding (wealth). In contrast to a co-operative, a company is not democratic. The virtue of companies lies in their relative simplicity in generating and maintaining a profit. Co-operative enterprises are more complex because they also have the objectives of serving the needs of their members and practicing the principles of co-operation and democracy.

## 7. WHY DO WORKERS ESTABLISH THEIR OWN CO-OPERATIVES?

There are two main reasons why workers establish their own co-operatives:

- (i) As a means of bringing democracy to a workplace and ensuring worker control of the co-operative.
- (ii) To maintain and/or create jobs.

An understanding of, and a commitment to, co-operative principles is essential if those aims are to be achieved.

## 8. WHO CAN BE MEMBERS OF A WORKER CO-OPERATIVE?

Membership of a worker co-operative is open to all workers who are prepared to accept the responsibilities of membership regardless of sex, race or creed. It is essential that the roles and responsibilities of all members are understood by all workers. It may be necessary to have a probationary time in which new workers have the time to decide whether or not they can accept the responsibilities and rights of membership.

After that probationary time, it is desirable for workers to become members of the co-operative. If a co-operative has non-member workers, it is no different from other business enterprises both in relation to hiring labour and in the provision of an enterprise run democratically by all members.

## 9. IN ESTABLISHING CO-OPERATIVES ARE WORKERS BUYING THEIR OWN JOBS?

Worker co-operatives can be formed by workers pooling their labour and skills rather than their limited capital. It is preferable to establish a worker co-operative enterprise with a minimal financial contribution from worker members. With financial backing from other sources, workers are not in fact being forced to buy their own jobs. In the absence of that financial support, however, it may be necessary for worker co-operatives to increase their equity contribution. The extent to which workers own their co-operative (equity) is a measurement of relative wealth and should not be taken as an indication of their commitment to the co-operative. Equity is a complex issue and should be looked at carefully. Worker co-operatives differ on the desirable level of membership equity — varying from 'low' to 'high' proportions.

## 10. ARE WORKER CO-OPERATIVES ANOTHER FORM OF EMPLOYEE OWNERSHIP?

The simple answer to that question is no. The difference between the two is quite clear. In a worker co-operative each member has equal voting rights regardless of the number of shares owned. The voting rights in an employee-owned enterprise are related to the number of shares held by employee-owners — the greater the number of shares, the greater the voting power. Further, in an employee-owned enterprise, a few employees can effectively own and control the enterprise. By law, no one co-operative member can own more than 20% of the shares in a co-operative.

## 11. IS DECISION-MAKING IN A WORKER CO-OPERATIVE DIFFERENT?

Ideally, decisions in a worker co-operative are made:

- collectively;
- co-operatively;
- collaboratively;

... that is democratically. Decisions affecting both the social and economic aims of the worker co-operative must be made from a basis of knowledge rather than

ignorance. Therefore, co-operative workers have an obligation to learn as much as possible about all aspects of their enterprise. Greater rights in decision making carry with them responsibilities to maintain a high level of understanding and involvement. Just as traditional businesses allocate some decisions to specific personnel within the organisation, so can worker co-operatives. Within a worker co-operative, particularly a small one, there is likely to be a greater sharing of, and equality in, decision making. Day to day decisions are best made by those people directly affected. Other decisions, for example the purchase of new equipment or the employment of new workers, need greater participation and discussion. In a co-operative this must take place at regular workers' meetings.

## FURTHER INFORMATION

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